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Tax Credit Statement (SB 763) - 08/01/14

Last year a major Tax Reform bill (House Bill 998) was passed that moved North Carolina from the 46th worst state in regard to taxation to nearly into the top 15 in our Nation. The past Tax Reform package provided the necessary revenue for the proper role of government but did so in a manner more in line with principles of greater economic growth by providing a low burden for all individuals.

Within Tax Reform we took an archaic and burdensome tiered individual income tax structure (6%, 7%, 7.75%), which would harmfully tax one more as they prospered, and replaced this egregious structure with a Flat Tax of 5.75% for all individuals. In order to lower the tax burden for all while funding the role of government, special targeted tax incentives that favored a selected few were mathematically sunsetted within the previous Tax Reform package.

Theory, application, and history establish the fact that providing a low and uniform tax burden for all leads to greater economic growth than forcing all individuals to bear a higher burden in order to give preferential treatment to another. Last year, we got it right to remove from our tax code loopholes, carve-outs, and preferential treatment so that we may treat all individual taxpayers the same.

Regardless of the past moves in the right direction, yesterday the House amended Senate Bill 763 to rewrite back into the tax code the extension of a few of the special tax-credits scheduled to sunset (namely the Historic Preservation Tax Credit and the Film Tax Credit). While I fully support the prosperity of those who provide for themselves and their families within the Historic Preservation and Film Industries, it is contrary to principles of greater economic growth and my oath of office to utilize the tax-code to subsidize one sector of our State economy at the expense of another.

Please note that the Film Tax Credit does not simply give qualifying productions a 25% tax break on the taxes they owe to the State, but the credit is structured to give the production 25 cents for every dollar they spend and that these dollars are granted from the State Treasury above and beyond any State taxes paid.

While it has been correctly reported that I voted against the specific amendments to revive and extend these sunsets poised to expire, it has not been told as of yet that I also provided a solution to this dilemma. Please note that immediately after these tax-credits were extended, I proposed an amendment that would provide the exact same tax credit to all North Carolina taxpayers. If...and I must say again...“if”, the proponents of preferential tax treatment are correct regarding the “return on investment” and benefit for the State by way of granting one sector of our State economy a subsidy or tax break at the expense of all others, then think about the prosperity that could be brought by granting every North Carolina taxpayer 25 cents for every dollar that they spend in our State.

Again, please note that I base my comments on the logic that a majority of the House employed when extending the other tax credits...assuming the proponents are correct, my proposed amendment would employ the principle of uniformity by treating all individuals, business, and sectors of our State economy the same. Whether you are a Farmer (big or small), a builder, a firefighter, an architect, an attorney, own a small business, etc., every individual taxpayer within North Carolina could benefit by being able to receive 25 cents back from the State for every dollar that they spend in our great State.

In regard to the status of my proposed solution, please note that a parliamentary request was employed to prevent my amendment from being voted on yesterday and that the last reading of this bill is on the calendar today. As a result, my proposed amendment to treat all taxpayers the same has yet to come to a vote and has yet to be approved. If the proponents of preferential treatment within the tax code are correct, then I look forward to the benefit if my proposed amendment is adopted into law.

I must be clear with you that I did not come to Raleigh to be your voice and to simply vote “no”. As a result, I stand ready and able to provide solutions in line with the known principles that will lead to greater prosperity for all of the individuals that I have the privilege to represent. I hope you find this statement informative above and beyond what you may have been told in the news. It is my great honor and privilege to represent the citizens of the 16th District, and I will continue to do so consistent with the principles that I have clearly and consistently articulated.

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